

Message Text

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PAGE 01 YAOUND 02831 060805Z

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ACTION OPIC-06

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DEPT PASS OPIC FOR BONNY HENDERSON

E.O. 11652: N/A

TAGS: EFIN, BAGB, CM

SUBJECT: MBANDJOCK RICE PROJECT

REF: STATE 163935

1. APOLOGIES FOR DELAY IN RESPONSE, BUT ABSENCE OF KEY INDIVIDUALS MADE OBTAINING INFO DIFFICULT. BELIEVE NOW HAVE GOOD IDEA OF VARIOUS POSITIONS.

2. MINAG (WADDEL) WANTS THE PROJECT ASAP AND DOES NOT SEE ANY REASON FOR DELAYED PROCEDURE. AG POSITION BASED ON EXPERIMENTATION AT MBANDJOCK AND OTHER SITES BY IRAT-ICVT DEMONSTRATING THREE TON PER HECTARE PRODUCTION IS FEASIBLE AND SHOULD INCREASE WITH EXPERIENCE. RICE TYPE IAC 25 WELL SUITED TO SITE DUE TO DISEASE RESISTANT CAPABILITIES AND 105 DAY CYCLE. SIX-MONTH PERIOD OF FURTHER STUDY WOULD NOT PROVIDE SUFFICIENT ADDITIONAL INFO TO JUSTIFY DELAY. SECOND MAJOR POINT IS THAT AG PROJECTS ARE IN COMPETITION WITH OTHER GURC PRIORITIES AND DELAY WOULD MEAN ADDITIONAL INCREASE IN DIFFICULTY OF OBTAINING FINANCING, IN ADDITION TO HIGHER COSTS DUE TO INFLATION AND POSSIBLE HIGHER INTEREST RATES.

3. SNI (TCHETGEN) DOES NOT AGREE THAT SUFFICIENT INFO IS AVAILABLE AND DOES NOT THINK THAT DATA FROM OTHER SITES CAN BE EXTRAPOLATED AS AG PROPOSED. AS SNI IS PUTTING ITS MONEY INTO THE PROJECT, THEY TEND TO BE MORE CONSERVATIVE.

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PAGE 02 YAOUND 02831 060805Z

TCHETGEN STATED TO ECONOFF THAT IF MINAG INSISTED ON DOING

THE PROJECT IMMEDIATELY, SNI MIGHT NOT PARTICIPATE, ASKED IF SNI WOULD SUPPORT OPIC/EXIM REQUEST TR CRITERIA TO DELAY MAJOR INVESTMENT UNTIL MID-1977 IN ORDER TO HAVE FULL CYCLE AS BASIS FOR JUDGMENT, HE SAID THAT THEY WOULD.

4. MIN ECON/PLAN -- NOMO PERSONALLY SUPPORTS SNI BUT HAS NOT TAKEN FORMAL POSITION ON DISPUTE BETWEEN SNI AND MINAG AND IS UNLIKELY TO DO SO. HE WILL WAIT AND SEE WHAT CAN BE ARRANGED.

5. CENEEMA (HANNUSCH - GERMAN TECH) IS HIGHLY COMPLIMENTARY OF CHEMONICS STUDY AND FEELS RICE PROJECT IS POTENTIALLY THE BEST AG PROJECT IN CAMEROON. MBANDJOCK IS BEST SITE FOR RICE PRODUCTION AND WITH MORE RESEARCH AND EXPERIENCE WOULD BE A VIABLE PROJECT. INITIAL RESULTS FROM TEST PLOT, HOWEVER, DISAPPOINTING. IAC 25 YIELD AVERAGED ABOUT 2.2 TONS PER HECTARE. ALLOWING FOR CORRECTION OF MISTAKES MADE, HE ESTIMATES 2.5 TONS PER HECTARE WOULD BE CONSERVATIVE ESTIMATE OF AVERAGE YEIDL OVER TEN-YEAR PERIOD. SEVERAL CONVERSATIONS WITH HANNUSCH AND VISIT TO SITE INDICATE FOLLOWING AS BASIC PROBLEMS. FIRST, RICE GROWS VERY WELL WITH POTENTIAL YIELDS OF THREE TONS. HOWEVER, VAGARIES OF WEATHER, NEED FOR CONTINUOUS SUPERVISION, CORRECT EQUIPMENT, SUFFICIENT MAINTENANCE AND SPARE PARTS AVAILABLE WHEN NEEDED, NEED FOR TIME TO TRAIN PERSONNEL AND FIND BEST TYPE OF RICE WOULD ALL TEND TO REDUCE THE AVERAGE YIELD IN ANY GIVEN SEASON. WHILE HANNUSCH READILY ADMITS MISTAKES MADE AND LACK OF SUPERVISION RESULTED IN REDUCTION OF YIELD, HE FEELS PROBLEMS INVOLVED IN LARGE COMMERCIAL PROJECT WOULD ALSO PREVENT MAXIMUM POTENTIAL YEILD AT LEAST FOR NEXT FEW YEARS. CONCERNING DELAYED START OPTION, HE NOTED THAT MINAG WAS FIRMLY COMMITTED TO STARTING PROJECT ASAP AND HE FELT THAT ANOTHER TEST PERIOD WOULD NOT CONFIRM ANY GIVEN LEVEL OF PRODUCTION. TEST PLOTS ON RICE VARIETIES COULD BE MAINTAINED IN CONTEXT OF PROJECT. BASIC PROBLEMS OF PROJECT REVOLVED AROUND TWO FACTORS - ADEQUATE SUPERVISION AND THE PRICE OF RICE. SUPERVISION WOULD BE LARGEST PROBLEM. HE COMMENTED THAT 90 FCFA PER KILO USED BY CHEMONICS WAS TOO LOW A PRICE AND A MARKET FOR ALL RICE PRODUCED READILY AVAILABLE (GABON, NIGERIA) WHERE PRICES MUCH HIGHER.

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PAGE 03 YAOUND 02831 060805Z

6. ACCORDING TO BRITISH COLLEAGUE, GRATA HAD FIRM COMMITMENT FROM BRITS FOR FINANCING, BUT BRITS HAVE BACKED OFF PENDING NEW CHEMONICS STUDY AND DALGETY PROPOSAL IF US DOES NOT PICK UP PROJECT. IN SUMMARY, NO FIRM COMMITMENT AT MOMENT, BUT HIGH PROBABILITY OF PARTICIPATION. HE SPECULATED THAT DALGETY IS HOLDING OFF PRESENTING ANY PROPOSAL UNTIL THEY SEE CHEMONICS' PROPOSAL SO THAT THEY CAN TRY TO BEAT IT.

7. HANNUSCH'S COMMENTS PERHAPS MORE IMPORTANT CONCERNING VIABILITY OF PROJECT. WHILE HE IS VERY ENTHUSIASTIC ABOUT THE PROJECT AND HOPEFUL THAT CHEMONICS WILL DO IT, HE IS SOMEWHAT CYNICAL ABOUT ATTAINING THREE TONS PER HECTARE ANY TIME IN NEAR FUTURE. NEED FOR CONSTANT SUPERVISION OF ALL ASPECTS OF OPERATION AND OPTIMUM USE OF RESOURCES IMPOSE HEAVY MANAGEMENT BURDEN. VAGARIES OF WEATHER FURTHER COMPLICATE THE PICTURE. ON THE OTHER HAND, RICE IS FOOD STAPLE WITH EXPANDING MARKET AND IT GROWS VERY WELL IN MBANDJOCK AREA. RICE PROJECT PROPOSAL BY CHEMONICS IS EXCELLENT AND WHILE COMMERCIAL FEASIBILITY IS BORDERLINE AT BEST AT THIS POINT, OVER LONG TERM FUTURE LOOKS GOOD. AS HANNUSCH POINTED OUT, IT IS ALMOST IMPOSSIBLE TO PROVE ECONOMIC FEASIBILITY IN ADVANCE OF NEW TYPE AG PROJECTS IN AFRICA. BUT THIS ONE HAS MORE POTENTIAL THAN ANY OTHER IN CAMEROON. CAMEROONIANS WILL EAT RICE. CAMEROON WILL HAVE A MAJOR RICE PROJECT, AND THE CHEMONICS PROPOSAL IS A GOOD ONE.

8. GIVEN THE POTENTIAL FOR EQUIPMENT SALES AND NEED TO DEMONSTRATE US INTEREST IN CAMEROON, EMBASSY SINCERELY HOPES FINANCING PACKAGE SUITABLE FOR GURC CAN BE WORKED OUT. LACK OF US INVESTMENT IN COUNTRY WHICH PRIDES ITSELF ON LIBERAL ECONOMY AND OPENNESS TO FOREIGN INVESTMENT IS RATHER STRIKING. MBANDJOCK PROJECT OFFERS EXCELLENT OPPORTUNITY TO MOVE TOWARD US OBJECTIVES OF INCREASING FOOD PRODUCTION AND SUPPORT OF FRIENDLY COUNTRIES WITH LIBERAL ECONOMIC SYSTEMS, WHILE PROVIDING GENUINE BENEFIT TO CAMEROON. THE PROJECT IS A GOOD ONE AND WILL UNDOUBTEDLY BE DONE BY BRITISH IF WE DO NOT. WHILE EMBASSY AWARE OF OPIC/EXIM DESIRES FOR CAUTION (SHARED BY SNI), WE SINCERELY HOPE EFFORT WILL BE MADE TO ACCOMMODATE DIVERSE GURC INTERESTS.

9. FYI. AMBASSADOR, WHO PARTICIPATED IN SITE VISIT ALONG WITH LIMITED OFFICIAL USE

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PAGE 04 YAOUND 02831 060805Z

ECON OFFICER, THINKS HANNUSCH EXCESSIVELY PATERNALISTIC AND THAT HIS CRITICISM PARTLY DIRECTED AT FRENCH TECHNICAL ADVISER ON SITE WHO, ACCORDING TO HANNUSCH, "TYPICALLY" LEFT FOR FRENCH VACATION JUST BEFORE HARVEST TIME, SO THAT ALL HIS RECORDS OF PLANTING AND CULTIVATION SEASONS HAVE BECOME USELESS. AMERICAN TECHNICAL SUPERVISION, IF IT IS, AS IT SHOULD BE, GEARED TO ENABLING CAMEROONIANS TO RUN PROJECT EFFICIENTLY ON THEIR OWN IN OPTIMUM TIME, IS LIKELY TO ELICIT BETTER WORK AND, ONE WOULD HOPE, GREATER YIELDS. END FYI. SPIRO

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